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CENTRAL INTELLIGENCE GROUP

INTELLIGENCE REPORT

COUNTRY China

DATE:

 SUBJECT Economic Information:
Torgpred Tea Negotiations

DIST. 29 May 1947

PAGES 1

SUPPLEMENT

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- As a result of an extreme shortage of tea in the USSR, the Torgpred office in [] has received orders to buy as much tea as possible in China, Formosa and Ceylon, regardless of price. Representatives of local firms, have been invited to discuss the matter with Torgpred. Torgpred wants large quantities of any kind of tea for import into the USSR and is particularly interested in "brick" tea.
- A Soviet businessman was requested to send agents to Ceylon to procure tea. The amount of tea ordered was probably ten times greater than the amount likely to be available. In view of the exchange situation, the Soviet businessman requested that Torgpred advance part of the contract price in Chinese, British and United States currencies. Torgpred, which usually advances 20 per cent of the contract price, agreed to cover 50 per cent of it in advance on the condition that the Torgpred also agreed to an amendment to the contract to the effect that the Soviet businessman's firm is not responsible for fulfillment of the contract and that Torgpred will meet the expenses of the firm if delivery of the tea cannot be made.
- When asked where Torgpred got the money to make the initial payment, [] a Torgpred official, stated that enough money in various currencies had been delivered from the Smolny on its last trip. [] said that although this was a violation of the Chinese currency regulations, all foreign missions used such means to receive money and that in this case, Torgpred was well provided with legal arguments in case there had been interference from customs officials when the money was unloaded. He added, however, that Torgpred had complete assurances that there will be no interference. It is probable that certain customs officials are on the payroll of a Soviet agent and that the crew of the Smolny assisted in the smuggling. He also implied that the amount of money brought in on this trip was very large.
- The Soviet businessman, who is sending an agent to Ceylon, already has purchasing agents in China and Formosa.

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